

NSC BRIEFING

12 March 1957

BACKGROUND---JAPAN

- I. New Prime Minister, Nobusuke Kishi, has good prospects for continuing to hold office for some time.**
 - A. Now has near-unanimous support of his Liberal-Democratic party.**
 - B. Domestic program will emphasize social welfare, balanced budget, increased employment, productivity.**
 - C. In foreign policy, Kishi will aim for "independent" Japanese position, continuing but "equal" cooperation with US, limited increase in Bloc relations (particularly China trade).**
 - D. Kishi's immediate intentions include: patch-up of Japanese relations with South Korea; attempt to hold off general elections until May '58.**
- II. Japan's basic problem is economic. For present, situation is good: Japan is sharing general world prosperity, has enjoyed two successive above-average harvests.**

Foreign exchange reserves now over \$1.5 billion and '56 balance of payments in black by comfortable \$300 million.

 - B. However, future expansion faces bottleneck in steel, electric power, transport.**
 - C. Continued economic health also depends on expanding markets and Kishi is concerned over both Western trade restrictions and threat of Chinese competition in Southeast Asia.**
 - D. Slump in Japan would jeopardize continued conservative political control, give Socialists (1/3rd of Diet) chance to expand influence, "neutralist" doctrine.**

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NSC BRIEFING

12 March 1957

BACKGROUND---JAPAN

- I. Prime Minister Nobusuke Kishi has good prospects for continuing in power for a considerable time.
 - A. He now enjoys near-unanimous party support and has avoided commitments to the competing intra-party factions.
 - B. He is expected to provide able vigorous leadership in directing domestic and foreign policy and party affairs.
 - C. He is a shrewd politician, is respected for his intelligence and ability, and there is a chance he may succeed in uniting the younger party leaders into an effective political and governing organization.
- II. Kishi has indicated he will continue his predecessor's program with which he was closely identified.
 - A. Domestically, his policy will emphasize social welfare programs, increased productivity and employment, and a balanced budget.
 - B. Major features of his foreign policy include:
 1. Achievement of an independent international position through the framework of the United Nations and alignment with the Asian-African bloc;
 2. Continued co-operation with the United States, but with adjustments in the relationship to provide greater equality;
 3. Increased relations with the Communist bloc, but limited to avoid jeopardizing relations with the Free World;

4. Expanded economic relations with Communist China, but diplomatic recognition to await Peiping's acceptance by the UN;
5. A settlement with South Korea;
6. Stimulation of economic ties with Southeast Asia.

III. Kishi reportedly intends to form his own cabinet at the end of the current Diet session, scheduled for 18 May.

- A. He hopes to avoid holding a general election until May 1958, but political and popular pressure may force an earlier ballot.
- B. Kishi tends, by his own admission, to "swim with the political tide" and this could reduce his effectiveness as a partner in the Far East.

IV. Prospects for reopening formal talks between Japan and South Korea have improved recently.

- A. The Japanese have met most of the demands which Rhee put forth as pre-conditions for the talks such as:
 1. The release of Koreans detained in Japan simultaneously with the release by Korea of detained Japanese fishermen;
 2. South Korea will accept release Korean detainees who illegally entered Japan after 1945, Japan will not seek to deport those who entered Japan before the end of World War II;
 3. Japan will disavow a Japanese statement regarded as critical of Korea's sovereignty;
 4. Japan will withdraw its claim to property in Korea in line with the American interpretation of the applicable provisions in the San Francisco peace treaty.

5. Rhee is still pressing for farther concessions, including recognition of the "Rhee Line" and acceptance of certain Korean property claims.

V. Japan's economy has benefitted from two successive above-average rice harvests and general world-wide economic prosperity.

A. The 1956 balance of payments was about \$293,000,000 in the black and Japan's foreign exchange reserves rose to over \$1.5 billion.

B. Future economic expansion, however, will be limited by bottle-necks in the iron and steel, electric power, and transportation industries.

VI. Kishi believes world peace depends on the Free World continuing to maintain economic as well as military superiority over the Communist bloc.

A. He hopes that American aid can be linked with Japanese reparations payments in the development of Southeast Asia, thereby strengthening both that area and Japan.

B. He fears that Communist China will be a growing threat to Japan's economic interests in the area.

C. The Japanese believe the Fairless Committee's proposal for an Asian "Common Market" is impractical and perhaps detrimental to Japanese interests. They favor the proposal for coordination of aid programs--but are not optimistic, because of "past failures" to convince the US of the merits of such joint endeavor.

VII. Japan is encountering growing restrictions on trade imposed by the Western nations.

- A. These restrictions threaten the nation's ability to maintain a satisfactory level of economic activity.**
- B. A decline in the economy will jeopardize the conservative position and will incline Japan toward neutralism and an accommodation with the Sino-Soviet bloc.**
- C. The Socialists, who hold about one-third of the Diet seats, would be able to exploit such a situation and accelerate neutralist trends.**